

## Message Text

UNCLASSIFIED

PAGE 01 STATE 028267

20

ORIGIN ARA-10

INFO OCT-01 ISO-00 FEA-01 AEC-07 AID-05 CEA-01 CIAE-00

CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01 PA-02 PRS-01

USIA-15 /107 R

DRAFTED BY ARA/BR:JSLATTERY:TR

APPROVED BY ARA:WGBOWDLER

ARA/BR:RWZIMMERMANN

EB/FSE:PTYSON

INTERIOR:GMARKON (SUB)

COMMERCE:BHUMPHREY (SUB)

----- 070392

R 071541Z FEB 75

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

INFO AMCONSUL SAO PAULO

AMCONSUL RIO DE JANEIRO

UNCLAS STATE 028267

E.O. 11652:N/A

TAGS:EMIN, PFOR, ETRD, BR

SUBJECT:COAL - REPLY TO AIDE MEMOIRE

1. FOLLOWING IS TEXT OF US REPLY TO BRAZILIAN AIDE MEMOIRE OF DECEMBER 6, 1974 ON US METALLURGICAL COAL EXPORTS TO BRAZIL. EMBASSY IS REQUESTED TO DELIVER THIS REPLY 24 HOURS AFTER DELIVERY OF LETTER TO SILVEIRA (BEING SENT SEPTTEL).
  2. BEGIN TEXT: THE INFORMATION PRESENTED IN THE GOVERNMENT OF BRAZIL'S AIDE MEMOIRE NO. DPB/S/15/844.41 (B46) (B13) OF DECEMBER 6, 1974, CONCERNING SHORTFALLS IN US METALLURGICAL COAL EXPORTS TO BRAZILIAN STEEL FIRMS, WAS STUDIED IN DEPTH BY APPROPRIATE OFFICIALS IN THE DEPARTMENT OF STATE, COMMERCE AND INTERIOR AND THE FEDERAL ENERGY ADMINISTRATION.
- UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STATE 028267

3. THE US GOVERNMENT HAS NO LEGAL AUTHORITY TO DIRECT PRIVATE US FIRMS TO INCREASE THEIR EXPORTS TO ANY GIVEN COUNTRY AT THE EXPENSE OF DOMESTIC CONSUMERS OR OTHER FOREIGN BUYERS. HOWEVER, OFFICIALS OF THE FOUR US AGENCIES NAMED ABOVE HAVE DISCUSSED THE BRAZILIAN SITUATION WITH REPRESENTATIVES OF THE US INDUSTRY, INCLUDING THE NATIONAL COAL ASSOCIATION, THE COAL EXPORTERS ASSOCIATION, AND THE TOP OFFICERS OF MAJOR COAL-EXPORTING FIRMS (EASTERN, ISLAND CREEK, MASSEY AND CONSOLIDATION). THESE INQUIRIES HAVE CONFIRMED THAT US EXPORTING FIRMS HAVE INDEED BEEN UNABLE TO COMPLY WITH THE NORMAL SCHEDULE AND THE QUANTITIES CONTRACTED BY THE THREE BRAZILIAN STATE STEEL FIRMS (CSN, COSIPA, AND USIMINAS) FOR

DELIVERY DURING 1974. THE INVESTIGATION DETERMINED THAT THE FAILURE OF US EXPORTERS TO COMPLETE THEIR CONTRACTS WAS DUE TO SEVERE PRODUCTION DIFFICULTIES IN THE SPECIFIC RESERVES AND WORKINGS THAT WERE THE SUBJECT OF THE CONTRACTS WITH THE BRAZILIAN STEEL COMPANIES.

4. US SUPPLIERS AND THEIR INDUSTRY ASSOCIATIONS HAVE REPEATEDLY ASSURED USG OFFICIALS THAT PRODUCTION FROM THEIR MINES WAS MADE AVAILABLE TO HOLDERS OF LONG-TERM CONTRACTS ON A PRO-RATA BASIS, THIS BEING THE MOST EQUITABLE MANNER OF DISTRIBUTING THE LIMITED SUPPLY. DATA PROVIDED TO THE DEPARTMENT BY THE INDUSTRY ON A CONFIDENTIAL BASIS DEMONSTRATES THAT BRAZIL RECEIVED APPROXIMATELY THE SAME PERCENTAGE OF HIGH-QUALITY COAL AS OTHER HOLDERS OF LONG-TERM CONTRACTS FOR PREMIUM COAL.

5. US PRODUCTION AND EXPORT STATISTICS DO NOT PROVIDE A DETAILED BREAK-DOWN AS TO QUALITY OF COAL; THEREFORE, THE DEPARTMENT REGRETS THAT IT CANNOT PROVIDE THE BRAZILIAN AUTHORITIES WITH PRECISE INFORMATION AS TO THE AMOUNT OF HIGH-QUALITY METALLURGICAL COAL EXPORTED BY THE US IN 1974. HOWEVER, IT IS CLEAR THAT PRODUCTION PROBLEMS WERE PARTICULARLY ACUTE IN DEEP-MINING WHICH SUPPLIES VIRTUALLY ALL OF THE PREMIUM-GRADE COALS EXPORTED TO OVERSEAS DESTINATIONS. MOREOVER, AS NOTED BY US GOVERNMENT REPRESENTATIVES IN PRIOR CONVERSATIONS WITH BRAZILIAN OFFICIALS, THE INCREASE IN 1974 COAL EXPORTS WAS DERIVED LARGELY FROM SPOT MARKET SALES OF DECIDELY INFERIOR COALS COMPARED TO THE PREMIUM COALS MOVING UNDER LONG-TERM CON-

UNCLASSIFIED

PAGE 03 STATE 028267

TRACTS.

6. THE US COAL-EXPORTING FIRMS REPEATEDLY EMPHASIZED TO US GOVERNMENT OFFICIALS THAT, GIVEN THE SHORTAGES IN PRODUCTION THEY HAVE EXPERIENCED, THEY HAVE BEEN MAKING AND WILL CONTINUE TO MAKE EVERY EFFORT TO COMPLY WITH THEIR CONTRACTS AS FULLY AS POSSIBLE. NOW THAT THE COAL INDUSTRY'S LABOR PROBLEMS APPEAR TO HAVE BEEN LARGELY

RESOLVED, THESE FIRMS ANTICIPATE MORE ORDERLY PRODUCTION IN 1975 AND FORESEE IMPROVED AVAILABILITIES OF COAL TO THE BRAZILIAN STEEL SECTOR. IN THIS CONNECTION, HIGH OFFICIALS OF THE US COAL INDUSTRY HAVE ASSURED THE DEPARTMENT OF THEIR STRONG DESIRE TO MAINTAIN CONTINUED CLOSE COOPERATION WITH THEIR BRAZILIAN CLIENTS, NOT ONLY TO RESOLVE IMMEDIATE PROBLEMS BUT OVER THE LONGER-TERM IN RECOGNITION OF THE FUTURE NEEDS OF THE EXPANDING BRAZILIAN STEEL SECTOR.

7. AS AN IMMEDIATE MEANS OF FURTHERING THIS COOPERATION IN TIMES OF SHORTAGE, THE GOVERNMENT OF BRAZIL AND THE THREE BRAZILIAN STATE STEEL FIRMS MAY WISH TO FORM SOME

MECHANISM TO IDENTIFY CASES WHERE SHUT-DOWNS OR DAMAGE TO FURNACES MAY BE IMMINENT, AND TO SUGGEST RE-ALLOCATION OF AVAILABLE SHIPMENTS TO BRAZIL WHENEVER SUCH EMERGENCY SITUATIONS OCCUR. THE US COAL INDUSTRY AND THE US BUREAU OF MINES WOULD BE HAPPY TO COOPERATE WITH THE BRAZILIAN INDUSTRY IN ARRANGING SUCH EMERGENCY RE-ALLOCATIONS.

8. IN SUMMARY, THE DEPARTMENT OF STATE WISHES TO RE-ASSURE THE GOVERNMENT OF BRAZIL THAT THE SHORTAGES IN US COAL EXPORTS EXPERIENCED BY THE BRAZILIAN STEEL FIRMS WERE NOT THE RESULT OF ANY DISCRIMINATORY ACTION BUT RATHER AN UNAVOIDABLE CONSEQUENCE OF GREATER THAN ANTICIPATED PRODUCTION PROBLEMS.

9. THE DEPARTMENT HOPES THAT THE EXPECTED IMPROVEMENT IN THE SUPPLY SITUATION DURING 1975, AS WELL AS THE SUGGESTED EMERGENCY CO-ORDINATING MECHANISM, WILL ALLEVIATE THE HARDSHIPS BEING EXPERIENCED BY THE BRAZILIAN STEEL SECTOR.  
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 STATE 028267

END TEXT. KISSINGER

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COAL, TEXT, EXPORTS, AIDE MEMOIRE  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 FEB 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975STATE028267  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** JSLATTERY:TR  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750046-0769  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750261/aaaacdfe.tel  
**Line Count:** 155  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN ARA  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ElyME  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 22 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <22 SEP 2003 by RowellE0>; APPROVED <31 DEC 2003 by ElyME>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** OAL - REPLY TO AIDE MEMOIRE  
**TAGS:** EMIN, PFOR, ETRD, BR, US  
**To:** BRASILIA  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006